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Research

Bulletin

Route to:

A Publication from INPUT's Customer Services Programme—Europe

Business Services—A New Direction for Customer Services

Customer Services (CS) organisations committed to providing complete IT infrastructure support services are increasingly likely to meet competition from non-IT industry vendors. This development should be viewed as an opportunity not a threat, since it signals a very large potential new market for CS firms that prepare themselves to attack the wider opportunity of business services.

The opportunity to provide *business services* will be one of the key developments over the next five to ten years. Customer services vendors can profit from this opportunity through:

- Understanding the strategic factors driving its development
- Identifying the most appropriate market sectors to target
- Evaluating the new competitive environment that must be tackled.

The Emergence of the Business Services Market

During the 1980's, declines in field maintenance unit revenues and margins and increasing competition from independent maintenance

providers ushered in the era of *customer service*. This shift emphasised personal service and quality of operations over technical skills and competence.

INPUT forecasts that over the next five to ten years, a similar shift will take place in which *customer services* will be overtaken by the concept of *business services*. Exhibit 1 expresses these trends graphically.

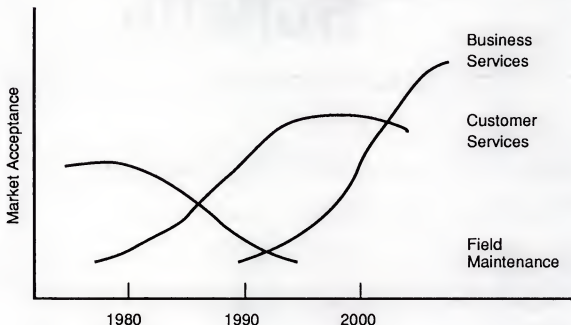
The concept expressed in Exhibit 1 does not imply the elimination of basic activities, simply their subordination to a more dominant industry paradigm. Adoption of the predominant concept in the market implies access to faster growing market sectors and higher margin opportunities.

The fundamental strategic force creating the *business services* opportunity is the trend towards *outsourcing*. To date, much attention has been paid in the IT industry to outsourcing IT functions notably systems operations (IT facilities management).

The increasing integration of IT functions into day to day business operations, and the consequent blurring of the distinction between them, is the fundamental force driving the emergence of a *business services* market.

Exhibit 1

Customer Service Market Waves



Source: INPUT

Identifying Business Services Opportunities

Emerging services markets are by nature fragmented and characterised by considerable diversity. It is therefore a marketing imperative to clearly identify the opportunities that:

- Offer the highest potential for growth and development
- Are most appropriate to the firms existing infrastructure and skill base.

The schematic shown in Exhibit 2 is a first step towards focussing on the most appropriate opportunities for customer services organisations.

Exhibit 2 indicates a distinction between purely IT related activities and non-IT, however, the latter will increasingly involve responsibility for IT activities as well.

A distinction is also made between project and operational activities, resulting in four distinct areas of activity. Systems Operations and Systems Integration (SI) have emerged as significant service market sectors since the mid 1980's.

The *business services* opportunities indicated are:

- Business Integration Services (BIS) already identified as a sub-sector of the environmental services market (see Research Bulletin No. 19).
- Business Operations.

A number of major IT suppliers, notably Digital and Unisys have already developed significant initiatives in the BIS sector.

Exhibit 2

Defining the Business Services Opportunity

PROJECTS	SI	BIS
OPERATIONS	SYSTEMS OPERATIONS	BUSINESS OPERATIONS
	IT	NON-IT

Source: INPUT

However, there is little evidence to date of customer services vendors having made initiatives towards exploiting *business operations* opportunities, potentially many times the size of the BIS market.

The *business operations* market can be further divided between "high-tech" and "low-tech" activities. Customer services vendors should seriously examine the requirement for handling "low-tech" services in order to ensure their control of "high-tech" services.

A further distinction is that between supporting the *logical* and *physical* infrastructure of a firm.

The major focus of IT vendors, particularly information services firms like Andersen Consulting and Cap Gemini Sogeti, has been towards supporting the *logical* infrastructure of clients, albeit based on operating the IT systems.

A focus on supporting the *physical* infrastructure of an organisation, from the starting point of computer maintenance, leads to a much greater opportunity than just providing IT customer services. A prerequisite is the preparedness to take responsibility for and operate "low-tech" processes as well as traditional IT services. EDS is one of the few examples of IT vendors attuned to this opportunity, as their logistics contract with Memorex in Europe demonstrates.

Identifying New Competitors

One of the major supporting arguments for the emergence of a *business services* market is the activity of non-IT industry vendors in providing this type of service today. However, the *business services* they provide tend to be fragmented, the integration of IT support activity is limited and there has been no organised identification of *business services* as a distinct market opportunity.

The development of the Commercial Systems Integration (SI) and IT Outsourcing markets over the last decade indicates that there are significant benefits to be gained from an organised structured approach to what previously had been fragmented and opportunistic markets.

Customer services vendors are in a strong position, particularly those with clear brand recognition, to benefit from an organised approach to providing *business services*. A careful evaluation of the new (non-IT industry) competitive vendors, with whom alliances may need to be formed, will be extremely important.

Some examples of the firms that are already active in some way in providing *business services* are listed below:

- AIRWORK (UK)
- BET Facilities Management (UK)
- CISET (Italy)
- DASA (Germany)
- DRAKE & SCULL Technical Services (UK)
- HUNTING ENGINEERING (UK)
- IFMCo. (UK)
- SELECT Facilities Management (UK)
- SERCO (UK)
- THOMSON (France).

SERCO is a good example of the type of company that is already in this market and that is likely to represent an increasing competitive threat to IT-vendors. Its activities span both "high-tech" and "low-tech" services, ranging from its major facilities management contract for the Fylingdales early warning radar system through to "grass management" in Hyde Park, London. SERCO's unifying management concept is the provision of a comprehensive range of services within one contract.

Exhibits 3 and 4 provide some key data about the SERCO organisation.

Customer services vendors are well positioned to attack the *business services* opportunity. This requires the management paradigm shift of preparedness to be driven by customer needs beyond the boundaries of the IT/communications environment.

Exhibit 3

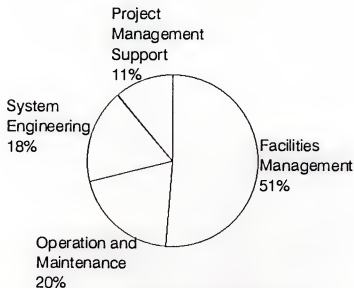
Serco

- Offering a comprehensive range of services within one contract
- IAL acquired April 1992
- \$225M Annual Revenue (1992)
- 6,000+ staff

Source: INPUT

Exhibit 4

Serco Activities



Source: INPUT

This Research Bulletin is issued as part of INPUT's Customer Services Programme for the information services industry. If you have any questions or comments on this bulletin, please call your local INPUT organisation or Peter Lines at INPUT, 17 Hill Street, Mayfair, London W1X 7FB England. (071) 493 9335, Fax (071) 629 0179